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U. S. DEPARTMENT OF AGRICULTURE

Farm Security Administration



THE FLEXIBLE FARM LEASE



Nearly half of all United States farmers are tenants or sharecroppers.

Approximately one million tenant families move every year.

The average cost to tenant families is at least \$50 per move and the total cost to the million families who move each year is at least \$50,000,000. The direct and indirect cost to landlords probably exceeds that amount.

A simple and understandable written contract or lease is the first step toward improvement. The Flexible Farm Lease is provided for that purpose.

U. S. DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION
WASHINGTON, D. C.

U. S. DEPARTMENT OF AGRICULTURE

Farm Security Administration

"THE FLEXIBLE FARM LEASE"

Forty-two percent of the 6,812,355 farmers in the United States are tenants or sharecroppers. In recent years the number of tenants and sharecroppers has increased at the rate of approximately 40,000 per year.

One Million Tenant Families Move Every Year.

These 2,865,000 tenant and sharecropper families—more than thirteen and one-half million men, women, and children—depend upon rented farms as a place to live and work. The 1935 Federal census showed that 34 percent, or more than one-third, had been where they were less than 1 year. Approximately 1,000,000 tenant and sharecropper families—or more than 5,000,000 people—had changed farms within less than a year. Many had changed communities and changed schools. In nine States more than 40 percent of all tenant and sharecropper families had moved within less than a year.

Both Tenants and Landowners Lose.

Some of these families had moved to better farms and better communities. A few had purchased homes of their own, but most of them had simply shifted from one rented farm to another without advantage to themselves or to their landlords. At a minimum estimated cost of \$50 per family for each move, the total annual out-of-pocket expense to the approximately 1,000,000 tenant families who move each year amounts to at least \$50,000,000. This is a drain on the resources of families who can least afford the expense and are most in need of the things which \$50,000,000 would buy. The inconvenience and suffering, the unhappiness and loss in human resources are immeasurable. While landlords generally do not realize it, the damage and depreciation to their property and the loss involved in placing their farms in the hands of new operators each year probably exceed the out-of-pocket expense incurred by the tenant families who move. In the end the Nation bears the accumulated costs.

Much has been said about soil erosion and about worn-out land. The human erosion and the worn-out lives involved in this annual moving of 5,000,000 farm people from one rented farm to another are even more serious.

Most Leases Verbal.

More than 80 percent of all tenants and sharecroppers have only verbal agreements with their landlords and have no assurance that they may remain upon the same farm beyond the year. This situation, not necessarily the fault of either tenants or landlords, need not serve as a basis for condemning farm tenancy or for condemning investment ownership of farms.

Landlords and tenants have a common interest and a mutual advantage to be gained by joining hands in a systematic effort to improve the tenure system, with the cooperation and assistance of Federal and State agencies. The tenure system cannot be greatly improved except through the sympathetic cooperation of landlords and tenants generally and individually. A majority of landlords and tenants are cooperating upon such basis, but too many are not doing so.

The ideal solution to the tenancy problem might be to abolish farm tenancy by helping all tenants and sharecroppers to become owners of farms. Certainly farm ownership should be aided in every possible way, but there are practical limitations which indicate that for many years at least a large number of farm families will continue to operate as tenants or sharecroppers. There is need for a systematic effort to improve tenure arrangements, and improve the standard of living for those farm families who will continue to operate as tenants and sharecroppers.

Soil Erosion on Tenant Farms.

The unstable system of tenure is one of the chief reasons why three billion tons of soil from America's farms are washed away every year. Already more than 50,000,000 acres of once fertile land have been ruined for further cultivation, over 150,000,000 acres more have been seriously damaged by soil erosion, and an additional four hundred million dollars worth of topsoil is being lost annually. A large portion

of this loss takes place upon the farms operated by tenants. This is not a mere loss of income. It is a loss of the Nation's most valuable resource—the soil. It is a loss not only to present generations but to unborn generations who must depend upon these land resources for the necessities of life.

It should not be difficult to harmonize the three interests and points of view involved in the tenure system: (1) The interest and welfare of the tenant family who must depend upon a rented farm as a place to live and work; (2) the interest of the landowner who needs profitable returns upon his investment; and (3) the interest of the public. If harmonious relationships exist between the tenant and his landlord, the interests of both and of the general public are best served. Any arrangement which will increase the security, contentment, and happiness of the tenant family will increase its interest in the care and maintenance of the farm which it occupies and the house in which it lives and will, therefore, safeguard the interests and investment of the landlord and the public interest.

Written Lease First Step.

The first step in creating a mutual understanding and trust between the landlord and the tenant is for them to enter into a definite agreement which covers all the important aspects of their relationship.

Good business requires that the agreement or contract be in writing. A written lease will not within itself create a mutual confidence, but it is an essential step in that direction. The contract must be reasonably simple and brief, must be fair and equitable to both parties, and must outline in definite and clear terms the obligations assumed by each.

A Flexible Farm Lease has been prepared by the Farm Security Administration which is widely applicable to the prevailing arrangements and needs of landlords and tenants in almost all parts of the United States. The Flexible Farm Lease usually will not prove satisfactory and successful, unless each tenant and his landlord counsel together in planning the general operations of the farm and in arriving

at definite understandings. Occasional conferences usually will prevent the minor misunderstandings which cause most of the difficulties between tenants and landlords.

Explanation of Flexible Farm Lease.

"Description of Property."—Section 1 of the lease provides for description of the property, which will be written in as may seem best in each case.

"Term of Lease"—Section 2.—If a landlord and tenant are willing to enter into a lease for a definite number of years, section 2 may be filled out accordingly. Some will desire to make use of the termination clause which gives either party the right to terminate the lease at the end of any year by giving written notice sufficiently in advance. Some landlords and tenants may prefer a 1-year lease which is automatically renewable from year to year unless advance written notice is given by either party.

"Rental Rates and Arrangements"—Section 3.—These will vary widely depending upon the circumstances involved. A careful study of section 3 will indicate the arrangement which best meets the needs for a particular farm. The plan of operation for the farm should be outlined carefully and should take into account the need of the tenant family to produce a living on the farm, the need for reasonable cash returns to both parties, and the need for maintaining and improving the productivity of the land.

"Farm Operation"—Section 4.—The arrangement as to who will furnish workstock, machinery, feed, seed, etc., will depend upon the type of farm and the circumstances in each case. Under the usual crop-share arrangement the tenant customarily furnishes all livestock, equipment, and feed, and furnishes seed for general crops. Ordinarily the landlord shares such costs as harvesting, threshing, baling, ginning, fertilizer, lime, seed, twine, spray materials, marketing costs, etc.

Provide for Improvements.

"Improvements and Repairs"—Section 5.—It is customarily the landlord's responsibility to place the premises in good repair at the beginning of the lease and to furnish necessary materials and skilled labor for normal repairs

made by the tenant. It is the tenant's obligation to maintain the farm in good condition and repair. The tenant can well afford to contribute spare time and labor in hauling materials furnished by the landlord and making repairs and improvements on the farm which will be used to the advantage of himself and his family, but he should have assurance that the rent will not be increased because of improvements made and that unless he remains on the farm to enjoy the benefit of improvements made he will be compensated.

Permanent improvements are customarily and properly the responsibility of the landowner, because they become a permanent part of the property and will be of benefit to him and future tenants. If the landowner is financially unable to make needed improvements of a permanent nature, the tenant can usually afford to contribute his spare time and labor in the making of such improvements, and to make such improvements at his own expense if he has assurance that he will benefit from them. Such arrangement is provided in section 5 of the lease and deserves careful study and consideration by the landlord and the tenant.

"Governmental Agricultural Programs"—Section 6.—This section is an agreement between landlord and tenant that they will divide benefit payments, allotments or quotas, and share the responsibilities in connection with governmental programs designed to aid agriculture. Bargaining with and trafficking in the benefits and obligations of such governmental programs are not in the interest of best relationships between landlords and tenants and are not in accordance with the objectives of these programs.

The remaining sections are readily understandable. The subsection providing an agreement to arbitrate any differences or disputes which may arise is based upon a practice which has prevailed in various parts of the United States for many years. Arbitration will not necessarily serve as a substitute for court action, but will serve as a means of settling peaceably and promptly minor differences and disagreements without the delay, expense, and bitterness which frequently characterize court actions between landlords and tenants.

"Additional Agreements, if Any."—In this space any special agreement may be inserted and made a part of the lease, such as option to purchase the farm, etc.

Livestock Improves Tenancy.

Tenure arrangements and the system of farming upon many farms may be improved by the introduction of livestock which may be owned by the tenant or by the landlord or may be owned jointly. The joint ownership of livestock by landlord and tenant usually will promote a common interest. Livestock will contribute to the living of the family, should provide additional income for both parties, and will provide a means of using soil-improving crops and increasing the productivity of the land. Joint ownership, joint sharing of expenses, and joint division of the proceeds constitute the simplest possible arrangement for introducing small herds of livestock on the average tenant farm. Ownership of livestock will indirectly serve to anchor the tenant family more securely to the farm and will discourage the frequent moving which constitutes such a serious problem in the whole tenure system.

Annual Cropping Supplement.

Each year the two parties should plan the operation of the farm for the coming year by filling out "The Annual Cropping Supplement to the Flexible Farm Lease" and should talk over and plan needed repairs and improvements.

The landlord and tenant should each have a completed and signed copy of the lease. In the case of Rural Rehabilitation clients and applicants it will be necessary that two additional copies be signed, one copy to be filed in the office of the Rural Rehabilitation Supervisor and the other to accompany the loan application to the regional office.

Copies of the Flexible Farm Lease, of the Flexible Livestock Share Lease, and of other related forms and materials may be secured by writing the Farm Security Administration, U. S. Department of Agriculture, Washington, D. C., or by applying to the local representative of the Farm Security Administration.

